HONGHUA GROUP LIMITED

宏華集團有限公司

(a company incorporated in the Cayman Islands with limited liability)

(Stock Code: 196)

EXPECTED IMPROVEMENT IN OPERATION POSITION

This announcement is made by Honghua Group Limited (the "**Company**") pursuant to Rule 13.09 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and the Inside Information Provisions under Part XIVA of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) (the "**SFO**").

The board of directors of the Company (the "**Board**") would like to inform the shareholders of the Company (the "**Shareholders**") and potential investors that based on the unaudited consolidated management accounts of the Company and its subsidiaries (the "**Group**") for the year ended 31 December 2024 and other related financial information currently available, it is expected to record loss attributable to the Shareholders for the year ended 31 December 2024, which represents a substantial decrease by not less than 87% as compared to that for the year ended 31 December 2023.

Such expected improvement in loss is primarily due to the following: (i) capitalising on its mature and globalised market network as well as its long-term and stable relationships with customers, the Company continuously secured orders from domestic and international markets, thus laying a solid foundation for the growth in its overall performance; (ii) the gross margin of the Company increased as compared to the same period of the previous year. In particular, the electrical fracturing business kept realising the implementation of material projects during the year, thus leading to the significant increase in gross profits of that business as compared to the previous year; and (iii) the Company continued to optimise its cost management and enhance its operation and management level, and as a result further reduced its financing costs.

In 2025, the Company will make continuous efforts in its principal businesses to ensure the stable operation of backlog orders. In particular, the Company has accumulated sufficient backlog orders in respect of the electric fracturing service, ocean engineering, and other business segments with its own technological advantages and good market reputation, which has facilitated the continuous improvement of its operating results. The Company will continuously promote its intelligent, efficient and green energy equipment products, while consolidating its leading position in the areas of land drilling rigs and electrical fracturing services, thereby laying a solid foundation for its subsequent business development. Apart from continuously strengthening its own business capabilities, the Company will continue to promote the improvement of its internal management level, optimise its cost control and improve its operational efficiency and profitability.

The Company is in the process of finalising the annual results of the Group for the year ended 31 December 2024. The information contained in this announcement is only based on a preliminary assessment by the Board of the unaudited consolidated management accounts of the Group for the year ended 31 December 2024 and the information currently available to the Company and is not based on any figures or information that have been audited or reviewed by the Company's auditors. Details of the Group's annual results for the year ended 31 December 2024 will be disclosed as and when the annual results of the Group for the year ended 31 December 2024 are announced.

Shareholders of the Company and potential investors are advised to exercise caution when dealing in the shares of the Company.

By order of the Board
Honghua Group Limited
Wang Xu
Chairman

PRC, 24 January 2025

As at the date of this announcement, the executive directors of the Company are Mr.Wang Xu (Chairman) and Mr. Zhu Hua; the non-executive directors of the Company are Mr. Yang Yangzhuang and Mr. Liu Xinggui; and the independent non-executive directors of the Company are Mr. Zhang Shiju, Ms. Li Yuedong and Mr. Wang Junren.